

Def. Doc. # 138

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In October, 1938, Canton and Hankow fell into the hands of the Nipponese Army and the Chiang Kai-shek Government became a mere local regime. On November 23, 1938, the Government of Nippon declared:

What Nippon seeks is the establishment of a new order which will insure the permanent stability of East Asia. This new order has for its foundation a tripartite relationship of mutual aid and coordination between Nippon, Manchoukuo and China in political, economic, cultural and other fields. Its object is to secure international justice, to perfect the joint defense against Communism, and to create a new culture and realize a close economic cohesion throughout East Asia.

In its note of November 18, 1938, to the American Government the Government of Nippon announced:

Nippon at present is devoting her energy to the establishment of new order based on genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition of the very existence of Nippon, but also constitutes the very foundation of the enduring peace and stability of East Asia. It is the firm conviction of the Nipponese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to the conditions of today and tomorrow inapplicable ideas and principles of the past would neither contribute toward the establishment of a real peace in East Asia nor solve the immediate issues. However, as long as these points are understood, Nippon has not the slightest inclination to oppose the participation of the United States and other Powers in the great work of reconstructing East Asia along all lines of industry and trade.

Nippon's announcement of the policy of establishing a new order in East Asia evoked a crop of criticisms from diverse American quarters, and American proclivity of aiding Chiang Kai-shek reached a new height. The United States Export-Import Bank on December 15, 1938, placed a credit of \$25,000,000 at Chungking's disposal; in addition, the United States Treasury extended the Chinese American monetary agreement of July 9, 1937 thereby enabling Chungking to dispose of its silver and obtain dollar exchange against its gold reserves accumulated in New York. The Conference on the Cause and Cure of War, meeting at Washington in January 1939, went on record for the first time in favor of an embargo on war materials to Nippon. In May 1939 the General Assembly of the Presbyterian Church adopted a resolution condemning America's continued "partnership in aggression" and urging immediate legislation by Congress to prevent the sale of munitions and war material to Nippon. Several bills placing limitations on Nippon's trade with the United States were offered by members of the House of Representatives and the Senate. A resolution was sponsored by Senator Pittman empowering the President to impose an embargo on war supplies to Nippon. The Senate Foreign Relations Committee requested Secretary Hull to indicate whether the proposed action would "violate any treaty." Although Hull on July 21, 1939, gave a noncommittal answer, the same answer actually preceded

Def. Doc. # 138

the State Department's decision on the abrogation of the Commercial Treaty with Nippon by only five days.

On July 24, 1939, as a result of an agreement between the then Foreign Minister Hachiro Arita and British Ambassador Robert Craigie, the text of a basic accord under which negotiations would be conducted for a formal settlement of the Tientsin dispute was announced in Tokyo and London. The significant Arita-Craigie formula ran as follows:

His Majesty's Government in the United Kingdom fully recognize the actual situation in China where hostilities on a large scale are in progress, and note that, as long as this state of affairs continues to exist, the Nipponese forces in China have special requirements for the purpose of safeguarding their own security and maintaining public order in regions under their control, and that they have to suppress or remove any such causes or acts as will obstruct them or benefit their enemy.

His Majesty's Government have no intention of countenancing any acts or measures prejudicial to the attainment of the above-mentioned objects by the Nipponese forces, and they will take this opportunity to confirm their policy in this respect by making it plain to the British authorities and British nationals in China that they should refrain from such acts and measures.

On July 26, 1939 only two days after the announcement of the Arita-Craigie formula, Secretary Hull served a notice of abrogation of the Nipponese-American Commercial Treaty. The Washington Government took this uncalled-for step mainly to give effect to its policy of "quarantining" Nippon economically.

THE SECOND WORLD WAR On September 1, 1939 the European war broke out. Curiously enough, the first and immediate step the United States Government took was to transfer the major portion of its Navy to the Pacific coast centering on Pearl Harbor--a step which was obviously planned to intimidate Nippon. Early in 1933 a sum of \$250,000,000 from the P.W.A. funds was allotted to naval construction. In March 1934 the Navy Department, in view of the Tamm-Brannan Act, secured authorization from Congress to proceed with a naval building program designed to reach the figure sanctioned by the Naval Treaty before the end of 1942. President Roosevelt accelerated his construction schedules with the greatest peacetime naval appropriations (for 1936-1937 and 1937-1938) in American history. While Roosevelt's program did not contemplate an exact parity with Britain, it provided for a substantially greater margin of superiority over Nippon, especially in capital ships. Moreover, the London Agreement of 1936 not only lessened the pre-occupation of the United States with the British and French competition, but also enabled it to replenish its naval strength more freely against Nippon. On April 1, 1936 the United States, Britain and France adopted an increased maximum gun calibre of sixteen-inches. On June 30, 1938 these three Powers signed an agreement raising their capital ship tonnage limit to 45,000 tons. The United States in this way played an active

part in bringing about a revision in the capital ship construction, because it was bent upon bottling up Nippon in the Pacific.

On January 26, 1940 the Nipponese-American Commercial Treaty expired and the United States became quite at liberty to impose an embargo at any time on Nippon. On January 11, 1940 Henry L. Stimson in a long letter in the New York Times recommended legislation to prohibit the export to Nippon of arms, munitions and raw material needed for the manufacture of accessories, to some of which a moral embargo had already been applied since June of 1938. Two embargo proposals prepared by Senators Pittman and Schwollenbach were placed before the Senate Foreign Relations Committee.

NEW CENTRAL GOVERNMENT OF CHINA On March 12, 1940 Wang Ching-wei declared his intention to establish a new Central Government of China. Prior to this, on March 7, 1940, the United States Government gave a loan of \$20,000,000 to Chiang Kai-shek. Thereafter, on March 30, 1940, Secretary Hull issued his statement of nonrecognition of the newly organized Nanking Government under the presidency of Wang Ching-wei.

On September 22, 1940 agreement was concluded between the Governments of Nippon and France, by which the former was to respect the rights and interests of the latter in East Asia and, in particular, the territorial integrity of Indo-China and the sovereign rights of France over all parts of Indo-China. On the part of France it was required to grant Nippon special facilities in Indo-China in order to enable the Nipponese Army and Navy to pursue their operations. Retaliating this accord, which in no way affected the rights and interests of America, President Roosevelt on September 26, 1940, declared an embargo on the export of iron and steel scrap as from October 16, except to countries of the Western Hemisphere and to Britain. Of the exports of steel scrap in the first seven months of 1940, Nippon took about one third, that is, over half a million tons. Simultaneous with the enforcement of the embargo, the Federal Loan Administration Office announced that a further credit of \$25,000,000 was to be granted to Chungking from the American Export-Import Bank to assist it in meeting exchange needs, and that the loan would be liquidated by the sale of tungsten, the United States Government having undertaken to buy as much as thirty million dollars' worth of tungsten for defense needs. The new loan to China and the fresh embargo order were, in the opinion of the leaders of the Capitol Hill, measures "short of war, but more effective than mere words".